

A healthy lifestyle can trim your insurance premium

Fresh Round Of Rate War Likely As Birla Sun Readies Cheapest Term Plan

Mayur Shetty
MUMBAI

THIS could well be the beginning of a rate war in the insurance space. Birla Sun Life Insurance is set to launch a new term insurance plan that will be the cheapest ever for those with healthy lifestyles, even as competition compels life insurers to find innovative ways of reducing prices before tables on revised life expectancy data are finalised.

A term insurance policy is one that provides only life protection cover for a fixed period. Until now, the best rates offered were 'standard' or 'ordinary', wherein companies further loaded the premium if the policyholder was found to be suffering

from smoking or drinking addiction, blood pressure, diabetes or obesity.

This is the first time that an insurance company is offering a product that rewards those with good family health history and healthy behaviour, with a discount. Such policies are present internationally. For instance, insurance products in Australia offer discounts to those who go to gymnasia regularly. These policies even offer coupons, entitling policyholders to discounts on gym membership.

"The underwriting process for the product would be very rigorous," Fabien Judy, designer of the product and chief actuary, Birla Sun Life, told ET.

"Underwriting processes for life policies range from taking a sample of all bodily fluids and testing them at one end, and asking the prospect to blow on a mirror at the other end. The underwriting for this product is certainly not the kind where you use the mirror."

Mr Judy did not disclose the extent to which the company could discount the new product, but said it would be the cheapest yet in the life insurance market. At present, Birla Sun Life Insurance's term insurance rates are almost identical with those offered by Life Insurance Corporation (LIC) on high value policies.

The other reason why term insur-

ance rates are coming down is that the new mortality tables — which give an estimate of life expectancy of an individual at various ages — are almost ready. These tables are being compiled by the mortality and morbidity bureau — a body jointly promoted by the life industry and the Actuarial Society of India. According to industry officials, life expectancy of the insured population is much higher as per the new table. If products are priced using the new tables, the cost of term insurance will come down. When asked whether Birla Sun Life's latest product has been developed based on new tables, Mr Judy said, "Our mortality tables have certainly got more sophisticated."

mayur.shetty@timesgroup.com



RABHAKAR CHINCHOLE